



EXECUTIVE CHAMBERS

HONOLULU

NEIL ABERCROMBIE
GOVERNOR

June 28, 2013

EXECUTIVE MEMORANDUM

MEMO NO. 13-02

TO: All Department Heads

SUBJECT: FY 14 Budget Execution Policies and Instructions

The attached Budget Execution Policies and Instructions are provided to guide your implementation of program appropriations for FY 14.

We have made significant progress towards our goals of economic recovery and sustainability. As a result of our fiscally balanced approach over the past two and one-half years, the State was able to end FY 12 with a \$275 million general fund balance, and we are on a pace of coming close to almost doubling that in FY 13. Additionally, we were able to begin to recapitalize our reserve funds and to start dedicating funds to address our unfunded pension and other post-retirement benefit liabilities.

Actual general fund tax revenues for FY 13 through May grew by 9.9%, 3.2% more than the 6.7% general fund tax revenue growth rate that the Council on Revenues (COR) is projecting for FY 13. The COR currently projects that general fund tax revenues will increase at a rate of 8.0% in FY 14 over FY 13.

The State's economy has rebounded in the past year and a half, with our visitor and hospitality industry leading the way. 2012 was a record year for tourism in terms of visitor arrivals and visitor spending. The strength of tourism has spilled over into other sectors of Hawaii's economy especially construction. However, tourism is near its peak and other sectors need to steadily pick up in order to sustain overall economic growth in future years. Further, we are particularly vulnerable to uncertainties at the national and international levels, including a potentially significant contraction in federal spending, economic volatility in Europe, slowdowns in Asia and unrest in the Middle East.

At this juncture, we are very optimistic about the recovery of Hawaii's economy, but we remain cautious about its sustainability in the face of numerous uncertainties. In this light, and in consideration of the many demands on our limited resources, we must continue to be prudent with our expenditures. As such, all general fund discretionary appropriations will again be subject to a 5% contingency reserve restriction. I trust that each department will make the necessary effort to operate efficiently and stay within its departmental allocation to allow the State's fiscal health to be maintained.

Similar to FY 13, these budget execution policies delegate many responsibilities to the department level to facilitate the efficiency of your operations. These responsibilities deserve your appropriate attention and should be executed with the utmost care and accountability to maintain the State's fiscal integrity. As always, the expenditure of State funds should be judicious and appropriate.

As part of our ongoing effort to improve the management of federal grant awards from receipt to expenditure, we are in the process of implementing a major change in the way we budget, allot and account for the expenditures of federal funds. Federal funds represent just under one-fifth of the State's total operating budget and an even larger percentage of funding for health, welfare and education programs. With pending federal legislation aimed at greater accountability and transparency in federal fund expenditures by states and local governments and the potential cutbacks in federal spending, these changes are necessary and will allow the State to more clearly track expenditures by grant award.


Through sound fiscal management, we can continue to improve the State's fiscal well-being. We must continue our efforts to deliver State services more efficiently and accelerate implementation of New Day Work Projects. The expenditures generated by moving our CIP projects expeditiously will support our infrastructure needs and stimulate Hawaii's economy.

Our commitment to our State, to Hawaii's people, is steadfast and our efforts are unwavering. We are transforming government in Hawaii by improving our ability to service Hawaii's people. We are growing a sustainable economy. We are investing in our State's most valuable asset, our people. These ongoing efforts are underway to make "A New Day in Hawaii" a reality.

Exhibit 1 contains your department's FY 14 allocation of operating program appropriations and position ceilings from Act 134, SLH 2013, which include a 5% contingency reserve restriction on discretionary general fund appropriations. Exhibit 1 also reflects: a) included and excluded collective bargaining allocations for Bargaining Units (BU) 1, 2, 3, 4, 5 and 8 for the FB 2013-15 negotiated agreements; b) included and excluded carryover collective bargaining allocations for BUs 9 and 10 for the FY 13 arbitration awards; c) excluded adjustment allocations for employees tied to BU 13 per executive order; and d) allocations for Salary Commission adjustments for State executives and statutorily-linked positions.

Attachments A and B contain detailed, specific expenditure policies, guidelines, and procedures for FY 14 budget execution to provide for prudent and efficient implementation of legislative intent.

Questions on the specific policies and instructions should be directed to the Department of Budget and Finance or the appropriate agency referenced. Electronic files of appropriate forms will be provided for your use.

A handwritten signature in black ink, reading "Neil Abercrombie". The signature is fluid and cursive, with the first name "Neil" written in a larger, more prominent script than the last name "Abercrombie".

NEIL ABERCROMBIE
Governor, State of Hawaii

Exhibit 1
Attachment A
Attachment B

FY 2014 ALLOCATION

UNIVERSITY OF HAWAII
July 2013

	General Fund	Special Funds	Federal Funds (N)	Other Federal Funds (P)	Private Contrib.	County Funds	Trust Funds	Inter-dep'tal Transfers	Federal Stimulus	Revolving Funds	Other Funds	Total Allocation	GO Bond Funds (CB)
Appropriation	6,415.09 386,721,245	615.25 534,311,264	97.66 12,169,289							54.75 94,172,157		7,182.75 1,027,373,955	
Collective Barg.	3,950,162	446,524	19,374	-	-	-	-	-	-	133,024	-	4,549,084	-
Contingency Reserve Restrictions	(4,496,155)											(4,496,155)	
												-	
TOTAL	6,415.09 386,175,252	615.25 534,757,788	97.66 12,188,663	-	-	-	-	-	-	54.75 94,305,181	-	7,182.75 1,027,426,884	-

Details of Collective Bargaining

Bargaining Unit	General Fund	Special Funds	Federal Funds				Trust Funds	Inter-dep'tal Transfers		Revolving Funds	Other Funds	Total CB Allocation (Operating)	GO Bond Funds (CB)
BU 01 - Included	251,906	29,372								27		281,305	
- Excluded	12											12	
BU 02,03 & 04													
- Included	889,877	75,147	3,262							8,315	-	976,601	
- Excluded	87,984											87,984	
BU 05 - Included												-	
- Excluded												-	
BU 08 - Included	2,547,367	334,547	16,112							76,646		2,974,672	
- Excluded	159,800	7,458										167,258	
BU 09 - Included	13,216									48,036		61,252	
- Excluded												-	
BU 10 - Included												-	
- Excluded												-	
BU 13 -												-	
- Excluded												-	
Salary Commission/ Statutorially-Linked												-	
												-	
TOTAL C.B.	3,950,162	446,524	19,374	-	-	-	-	-	-	133,024	-	4,549,084	-